Are Consumers Fat Because of Agricultural Subsidies?

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The recent passing of President Reagan has prompted numerous media sound bites and paraphrases on the philosophy (or at least the rhetoric) that less government is better than more. Of course, as a taxpayer, it is easy to buy into the concept of less government. As a policy analyst, however, the challenge is often in assessing more practical questions involving impacts of government intervention. We will always have intervention, so the relevant question is, how much should we have?

It has been suggested recently that government support to the agricultural sector has been too high because the subsidies contribute to today’s obesity problems. For example, last fall Professor James Tillotson of Tufts University wrote an article in Nutrition Today entitled Pandemic obesity: agriculture’s cheap food policy is a bad bargain, where he contends that we will continue to grow too much food, often driven by overgenerous government agricultural subsidies, for too little domestic market demand. Our food will remain relatively cheap and ever more plentiful. This will create a permanent structural (environmental) condition that must be dealt with in future public health policies to combat obesity.

The basic economics underlying this contention are that subsidies increase commodity production, causing a reduction in price facing the consumer, who then increases the quantity of food consumed. Professor Tillotson, who has a Ph.D. in Food Science and Technology, attempts to apply supply and demand principles to help consumers and policy makers see the connection between the current obesity problem and present agricultural policies.

Professor Tillotson recognizes the secondary importance of this connection between subsidies and obesity by noting, in considering obesity from a future policy perspective, the initial focus must be the individual’s diet, physical activity, and behavior, followed by the food sources and their marketing and distribution practices, and, finally, the environmental or structural factors encompassing the previous two factors, such as U.S. agricultural policies.

Regardless of whether it is considered a primary or secondary cause, relating agricultural policies to obesity should be done with care. Such contentions should be based on answers to three fundamental questions. First, if subsidies were eliminated, what would be the resulting impact on commodity or farm-level prices? Second, to what extent would the change in farm-level prices be transmitted to food and beverage prices? And finally, how would the resulting change in retail price and product mix affect consumption?
There are many economic and social arguments that can be made both in support of and in opposition to farm programs and government support to agriculture in general. The questions posed above are not asked in defense of past, current or future support. But until they are answered on the basis of sound economic analysis then, in my opinion, the contention that agricultural subsidies cause obesity adds nothing more to the farm policy debate than an unsubstantiated sound bite. The process of setting farm policy is not in short supply of these types of sound bites. Do we need another?